

**Small Business** – Post-Acute Industry is made up of primarily a wide variety of small to medium sized businesses and independent practicing healthcare professionals and hospitals, both for-profit and non-profit. The vast majority of which we are discussing provide specialty services to people with brain and spinal cord injuries, many of whom are injured at a young age.

### **Financial Impact of Fee Schedules on Post-Acute Healthcare Industry**

**Fee Schedules would result in about a 24% to 60% Revenue Decline for covered services**

#### **Impact on Post-Acute Industry –**

- Up to a 60% immediate decline in revenue for Home Care Businesses at \$11/hour
- Therapy Services would range from approximately 24% to 32% reduction in revenue
- This would result in approximately 75 to 125 JOBS LOSSED at our company alone
- Many business would struggle to survive, as it would be difficult to reduce costs fast enough
- Treatment would be diminished in quality – sub-optimal care
- Businesses would struggle to attract and retain quality employees furthering the Brain Drain from Michigan to other states

### **Financial Impact of PIP Choice on Post-Acute Healthcare Industry**

**Majority of our Business is performed after \$250,000 of PIP** – A typical patient with a moderate to severe brain or spinal cord injury will incur over \$250,000 in medical treatment before reaching our doors.

**Approximately 80% will Underinsure for catastrophic injury with PIP Choice** - Source – Anderson Economic Report, estimates 75% to 90% choose lowest PIP option; RAND Report, estimates 79% choose lowest PIP option.

#### **Impact on Post-Acute Industry –**

- 80% of the market we serve would go away going forward, as individuals would not have the resources to pay for the services
- The market and industry would shrink year after year as those with current funding either recover or pass on; while those newly injured go without appropriate rehabilitation or care
- I estimate our business would decline by 30% in the next few years, and then 3% - 5% thereafter
- This would result in approximately 225 JOBS LOSSED at our company alone

- Many business would struggle to survive, as it would be very difficult to reduce costs fast enough to avoid bankruptcy
- Costs would be shifted to sub-optimal Medicaid and State Funded programs
- Patient recovery opportunities would be foregone resulting in increased long-term state obligations.

**Combined Impact –**

- Job Loss – approx. 300 Employees out of 750 Total

**No-Fault Liability (including PIP) is Average in Cost for Michigan**

**National Association of Insurance Commissioners (NAIC)** – NAIC, a valuable resource for state insurance commissioners, tracks insurance company filings for years and calculates the cost of insurance by state and for the country. Michigan's No-fault liability premium, including lifetime medical benefits, is 16<sup>th</sup> most expensive in the nation and about \$22 per year more than the average premium in the country.

Source – 2010 National Association of Insurance Commissions Report pg. 19

- Most recent report is for 2008
- Michigan ranks 16<sup>th</sup> in the Nation for Liability including Medical/PIP
- Michigan cost is \$493 per year
- Countrywide Average is \$471 per year

Source – See attached page from the 2010 NAIC Report pg. 19

**Insure.com survey is seriously suspect** – Insure.com recently reported that Michigan auto insurance was the most expensive in the nation. When looking at their survey process, they computed the average cost for vehicles in 10 Zip Codes per State. Thus they surveyed just 10 out of Michigan's 1,168 Zip Codes. From a statistical standpoint, there is no way we can rely upon this data.

## Response to Counter Arguments

**Only 1 or 2 % of accidents are over \$500,000** – This is why you purchase insurance – to cover the worst case you can't afford to cover

- Michigan has covered these lifetime claims for 38 years at a reasonable cost to drivers
- It may be a small percentage of the claims, but a large percentage of the dollars and need – under PIP Choice, this would all Shift to the State

**MCCA Assessment is up 2500%** - This is not a true reflection of the MCCA over the years

- Michigan Voters rejected similar proposals to PIP Choice in 1992 and 1994
- During the 5 years surrounding these votes (91-95) compared with the last 5 years (07-11), our MCCA Assessment is up from \$108.59 to \$ 128.14 or an average of 1.0% per year

	Pure Premium	Total Assessment
Average Assessment 1991-1995	\$ 86.65	\$108.59
Average Assessment 2007-2011	\$107.14	\$128.14
Average Annual Increase (1991-2011)	1.3%	1.0%

Source: [http://www.michigan.gov/documents/cis/MCCA\\_Chart\\_2007\\_190997\\_7.pdf](http://www.michigan.gov/documents/cis/MCCA_Chart_2007_190997_7.pdf)

**MCCA is Unsustainable** – We should look at a few things before accepting this argument at face value

- MCCA assessment is impacted by a variety of factors that can change over time including investment returns. MCCA assessment operates within a relevant range.
- We have just come off the worst decade in the financial markets since the 1930's.
- MCCA estimates the current deficit at approximately \$2 Billion or \$300 per vehicle
- From 1996 through 2001, the MCCA refunded or credited approximately \$3 Billion or \$445 per vehicle

### MCCA Surplus Adjustment by Year

(Effectively a Refund to Insurance Companies / Drivers)

1996	15.06
1997	47.19
1998	58.37
1998	180.00 *One-Time Refund of \$1.2 Billion
1999	50.81
2000	46.79
2001	47.21
<b>Total</b>	<b>445.43 *This is approximately \$3.0 Billion of Refunds / Surplus Credits</b>

We need to take a much longer view of the MCCA than simply a point in time, as estimates vary widely.

## **Message / Recommendations to the Legislature**

**Job Loss** – This legislation will result in substantial job loss and business closure, and this is especially so for the post-acute care industry in Michigan

**Cost Shift** – This legislation will result in a significant cost shift to government funded programs resulting in sub-optimal treatment, recovery, and care

**Michigan's No-Fault PIP/Liability is Average in Cost** – Michigan ranks 16<sup>th</sup> in liability or about \$22 per year more than the average vehicle in the country

**Work Comp Fee Schedule does not fit** – The Work Comp fee schedule was not developed with the catastrophically injured patient in mind

**Tout Michigan's Expertise** – Michigan's expertise in working with the catastrophically injured should be advertised to all other states so this industry can further serve as an economic driver

## **Possible Improvements to the Nation's Best System –**

- MCCA should be opened up to include public board representation before any changes are considered
- Collision Costs, second most expensive in the nation, should be evaluated for possible savings
- Attendant Care legislation should be focused on greater effectiveness and efficiency, not on arbitrary fee schedules. For example:
  - Plans of Care focused on active rehabilitation and reducing the long-term disability and related costs
  - Minimum training requirements to improve the services provided
- Offer Drivers higher PIP Deductibles rather than ineffective CAPS
- Understand the relationship between PIP Choice and 3<sup>rd</sup> Party Liability Costs
  - If PIP Choice goes into effect, Liability Premiums will go Up
  - There will be more litigation

Michigan drivers receive the **best auto injury coverage in the nation** at a rate that is **only 5 percent above the national average**.

**AVERAGE LIABILITY PREMIUM (LIABILITY INCLUDING PIP MEDICAL BENEFITS)**

1	FLORIDA	\$736.05
2	NEW JERSEY	\$721.11
3	DELAWARE	\$697.61
4	NEW YORK	\$686.72
5	LOUISIANA	\$650.78
6	RHODE ISLAND	\$645.91
7	NEVADA	\$630.68
8	CONNECTICUT	\$591.10
9	DISTRICT OF COLUMBIA	\$582.90
10	MASSACHUSETTS	\$563.86
11	ALASKA	\$558.19
12	MARYLAND	\$555.12
13	WASHINGTON	\$551.42
14	HAWAII	\$505.97
15	WEST VIRGINIA	\$500.99
<b>16</b>	<b>MICHIGAN</b>	<b>\$493.56</b>
17	PENNSYLVANIA	\$490.01
18	ARIZONA	\$485.67
19	OREGON	\$485.17
20	TEXAS	\$471.22
21	SOUTH CAROLINA	\$466.32
22	KENTUCKY	\$452.99
23	CALIFORNIA	\$449.91
24	NEW MEXICO	\$441.69
<b>COUNTRYWIDE AVERAGE</b>		<b>\$471.09</b>

Table 1C

## Average Premiums and Expenditures 2004-2008

STATE	Liability Average Premium				
	2008	2007	2006	2005	2004
Alabama	354.14	364.38	367.29	367.54	369.71
Alaska	558.19	569.04	595.87	599.57	600.28
Arizona	485.67	490.27	506.64	512.59	510.42
Arkansas	364.99	372.47	387.33	391.09	389.86
California	449.91	465.62	479.86	486.73	492.33
Colorado	427.49	429.03	452.97	471.80	475.86
Connecticut	592.10	602.75	620.83	628.00	625.61
Delaware	697.61	692.97	705.57	713.00	705.74
District of Columbia	582.90	582.69	610.11	629.53	636.94
Florida	736.05	718.71	751.79	757.73	756.04
Georgia	413.33	421.30	424.02	420.45	413.58
Hawaii	505.97	523.99	541.93	548.98	537.36
Idaho	329.84	331.62	338.99	340.07	340.32
Illinois	400.53	401.51	410.03	410.15	411.04
Indiana	347.88	352.05	361.40	372.18	376.64
Iowa	271.66	272.01	282.40	290.43	302.61
Kansas	298.72	294.77	300.17	300.47	302.07
Kentucky	452.99	468.51	483.55	489.83	487.49
Louisiana	650.78	646.30	660.25	666.52	652.19
Maine	335.66	345.54	362.48	368.21	366.08
Maryland	555.12	558.09	578.46	578.31	581.63
Massachusetts	563.86	622.15	670.24	723.58	701.76
Michigan	493.56	507.22	494.02	486.76	488.18
Minnesota	410.69	426.97	445.94	460.47	472.41
Mississippi	366.38	383.22	430.24	419.58	417.82
Missouri	367.55	370.25	378.54	381.26	385.06
Montana	404.25	408.52	399.38	409.39	397.56
Nebraska	307.95	312.82	327.04	336.32	336.05
Nevada	630.68	645.45	650.67	637.47	607.48
New Hampshire	397.72	410.22	434.65	430.93	432.54
New Jersey	721.11	730.07	746.79	751.51	759.56
New Mexico	441.69	448.63	457.10	450.73	444.82
New York	686.72	692.06	729.85	766.75	803.90
North Carolina	351.53	355.03	341.77	336.24	339.33
North Dakota	241.62	251.07	254.61	258.81	257.59
Ohio	354.65	365.27	381.84	390.36	396.15
Oklahoma	380.80	373.04	383.71	395.97	391.81
Oregon	485.17	484.93	482.65	484.39	492.22
Pennsylvania	490.01	490.15	499.06	508.60	507.66
Rhode Island	645.91	671.31	695.49	715.27	690.78
South Carolina	466.32	474.94	470.90	471.34	471.77
South Dakota	274.99	284.88	295.73	298.44	306.00
Tennessee	356.17	359.10	362.95	363.63	361.08
Texas	471.22	450.01	453.77	479.63	492.82
Utah	429.73	418.56	423.64	427.38	435.96
Vermont	339.83	346.71	361.38	368.14	365.00
Virginia	383.79	381.64	395.18	398.48	404.40
Washington	551.42	551.19	542.51	541.64	532.96
West Virginia	500.99	501.86	510.33	534.23	543.68
Wisconsin	322.31	324.98	330.57	338.78	342.66
Wyoming	322.10	326.76	334.10	336.63	329.50
Countrywide	471.09	475.73	488.63	497.19	501.07

**CLAIM:** Opposition claims that premiums are up 2,500%

**RESPONSE:** This is misleading. The Average Assessment from the early 90's to now is up about 18%, or 1% per year

	Pure Premium	Total Assessment
Average Assessment 1991 – 1995*	\$86.65	\$108.59
Average Assessment 2007 - 2001	\$107.14	\$128.14
Average Annual Increase ~ 1991 – 2011	1.3%	1.0%

**Note:** 1992 PROPOSAL D, VOTED DOWN 62.6% TO 37.4%

1994 PROPOSAL C, VOTED DOWN 60.9% TO 39.1%

**SOURCE:** SEE MCCA CHART ATTACHED FOR ANNUAL ASSESSMENTS

**CLAIM:** The MCCA is in trouble with a \$2 billion deficit, or about \$300/vehicle

**RESPONSE:** From 1996 – 2001, the MCCA refunded or credited surplus adjustments of an estimated \$3 billion, or about \$445/vehicle



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
OFFICE OF FINANCIAL AND INSURANCE REGULATION  
DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH STEVEN H.  
HILFINGER, DIRECTOR

R. KEVIN CLINTON  
COMMISSIONER

**Michigan Catastrophic Claims Association (MCCA)**  
**Information as of April 21, 2011**

Since 1979, 25,900 claims have been reported to the MCCA. A claim represents the auto accident that caused the catastrophic injury - it does not represent the number of people injured. Most claims, but not all, include only one person.

**MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION ASSESSMENT**  
**HISTORY**

Assmt #	Period	Months	Pure Premium	(Surplus) Deficit Adj.	Admin. Expense	Total Assessment
1	7/1/78 to 6/30/79	12	\$3.00	\$0.00	\$0.00	\$3.00
2	7/1/79 to 12/31/79	6	\$6.28	\$5.40	\$0.00	\$11.68
3	1/1/80 to 12/31/80	12	\$6.36	(\$0.36)	\$0.00	\$6.00
4	1/1/81 to 12/31/81	12	\$7.14	(\$0.58)	\$0.20	\$6.76
5	1/1/82 to 12/31/82	12	\$6.64	(\$0.81)	\$0.10	\$5.93
6	1/1/83 to 12/31/83	12	\$7.55	(\$2.12)	\$0.10	\$5.53
7	1/1/84 to 12/31/84	12	\$8.24	(\$2.44)	\$0.11	\$5.91
8	1/1/85 to 12/31/85	12	\$10.55	\$1.40	\$0.10	\$12.05
9	1/1/86 to 12/31/86	12	\$11.24	\$3.07	\$0.09	\$14.40
10	1/1/87 to 12/31/87	12	\$15.77	\$6.81	\$0.09	\$22.67
11	1/1/88 to 12/31/88	12	\$24.41	\$8.10	\$0.09	\$32.60
12	1/1/89 to 12/31/89	12	\$33.44	\$10.12	\$0.09	\$43.65
13	1/1/90 to 12/31/90	12	\$48.12	\$18.37	\$0.15	\$66.64
14	1/1/91 to 12/31/91	12	\$68.33	\$32.50	\$0.17	\$101.00
15	1/1/92 to 12/31/92	12	\$77.69	\$32.77	\$0.12	\$110.58
16	1/1/93 to 12/31/93	12	\$90.43	\$28.14	\$0.12	\$118.69
17	1/1/94 to 12/31/94	12	\$98.71	\$16.89	\$0.12	\$115.72
18	1/1/95 to 12/31/95	12	\$98.07	(\$1.24)	\$0.12	\$96.95
19	1/1/96 to 12/31/96	12	\$87.53	(\$15.06)	\$0.10	\$72.57
20	1/1/97 to 12/31/97	12	\$62.03	(\$47.19)	\$0.10	\$14.94
21	1/1/98 to 12/31/98	12	\$63.87	(\$58.37)	\$0.10	\$5.60



22	1/1/99 to 12/31/99	12	\$56.31	(\$50.81)	\$0.10	\$5.60
23	1/1/00 to 12/31/00	12	\$52.30	(\$46.79)	\$0.09	\$5.60
24	1/1/01 to 12/31/01	12	\$61.53	(\$47.21)	\$0.09	\$14.41
25	1/1/02 to 06/30/02	6	\$71.05	\$0.00	\$0.10	\$71.15
26	7/1/02 to 6/30/03	12	\$68.90	\$0.00	\$0.10	\$69.00
27	7/1/03 to 6/30/04	12	\$79.30	\$20.80	\$0.10	\$100.20
28	7/1/04 to 6/30/05	12	\$95.93	\$31.21	\$0.10	\$127.24
29	7/1/05 to 6/30/06	12	\$116.43	\$25.17	\$0.10	\$141.70
30	7/1/06 to 6/30/07	12	\$113.48	\$23.75	\$0.10	\$137.33
31	7/1/07 to 6/30/08	12	\$106.63	\$16.42	\$0.10	\$123.15
32	7/1/08 to 6/30/09	12	\$96.06	\$8.32	\$0.20	\$104.58
33	7/1/09 to 6/30/10	12	\$100.78	\$23.89	\$0.22	\$124.89
34	7/1/10 to 6/30/11	12	\$116.84	\$26.00	\$0.25	\$143.09
35	7/1/11 to 6/30/12	12	\$115.38	\$29.32	\$0.30	\$145.00